Vontobel

Quality Growth

Vontobel Fund – US Equity

Quarterly commentary 4Q 2025

Key takeaways

– During the fourth quarter of 2025, US equity markets advanced modestly. The investment narrative remained heavily focused on artificial intelligence (AI), with market sentiment oscillating between periods of exuberance and rationality amid a largely resilient macroeconomic backdrop. The Vontobel Fund - US Equity underperformed the S&P 500 Index for the quarter.

– Stock selection in communication services was the largest contributor to relative performance, followed by a lack of exposure to the utilities sector. However, stock selection in information technology and financials was the largest detractor from relative results.

– The combination of a sluggish labor market and inflation, which remains above pre-pandemic levels, is beginning to weigh on the US consumer. Importantly, the impact is highly uneven. Roughly half of all US consumer spending is driven by the top 10% of earners – households that also own the vast majority of financial assets. This divergence has reinforced the "K-shaped" economy in 2025. With broad US equity indices increasingly concentrated in AI leaders, a meaningful pullback could ripple through the economy not through layoffs or failed AI projects, but through the negative wealth effect of falling asset prices. This dynamic would resemble the aftermath of the dot-com bubble in 2000, when declining equity values disproportionately impacted high-income households and, by extension, overall consumer spending.

– Economic growth has synced to the fortunes of AI innovation, making it both a growth engine and a potential pressure point. An unraveling of the AI story could trigger a sharp equity market correction, erode consumer confidence, and potentially push the global economy into recession. We believe this fragile environment warrants an approach grounded in humility and balance – one that seeks to participate in the long-term potential of AI while also avoiding overexposure to a narrow set of unknowable winners.

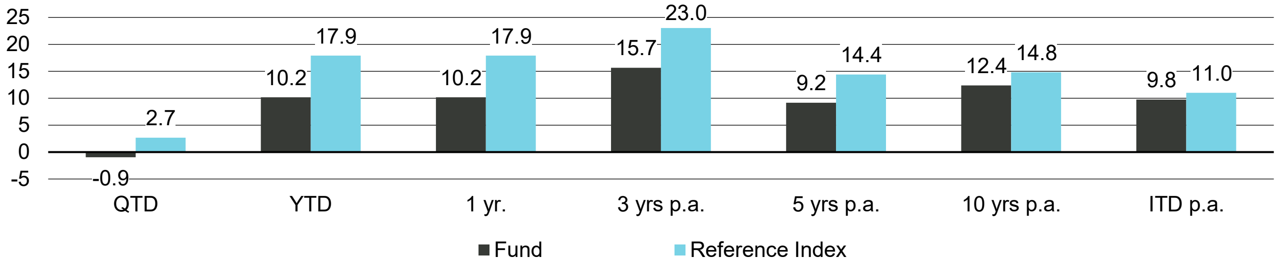
– Given the risk of a pullback in spending on AI, we believe investors should focus on a more predictable approach by identifying companies whose success is not entirely dependent on AI.

– While the promise of AI remains compelling, its market dominance and reliance on external financing are creating vulnerabilities that cannot be ignored. By seeking opportunities in areas of predictable growth and resilience – both within and outside the AI ecosystem – we seek to navigate the uncertainties of this transformative era. As with any period of rapid innovation, we believe a measured, diversified approach will be critical to weathering potential volatility and capitalizing on long-term opportunities.

Fund characteristics

Share class	Vontobel Fund – US Equity I (ISIN LU0278092605)
Reference index	S&P 500 - TR
Currency	USD
Inception date	16.3.2007
Reporting period	16.3.2007-31.12.2025

Historical performance (net returns, in %) as of 31.12.2025 (I-Share class)



	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund	12.2	25.3	-15.7	18.9	16.3	30.6	-0.8	25.6	9.3	7.2
Ref. index	25.0	26.3	-18.1	28.7	18.4	31.5	-4.4	21.8	12.0	1.4

Past performance is not a reliable indicator of current or future performance. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed, if applicable. The return of the fund may go down as well as up, e.g. due to changes in rates of exchange between currencies. Performance and characteristics for other share classes will differ from the information discussed herein.

Market review

US equities continued to edge higher during the fourth quarter, supported by interest rate cuts and resilient earnings reports, despite ongoing concerns about a potential bubble in AI, weakening consumer sentiment, and soft job growth.

The technology sector posted modest gains during the quarter as investors questioned the ability of companies to generate an attractive return on the tremendous amounts of AI capital expenditure and grew fearful as financing of AI infrastructure shifted toward debt. The impact of AI investments reverberated beyond the technology sector, resulting in renewed volatility.

A weakening job market prompted the Federal Reserve to cut interest rates in December. A protracted government shutdown weighed on consumer activity and confidence. US unemployment rates continued to climb, raising speculation around further interest rate cuts in 2026.

Global markets
Performance (%) as of 31.12.2025

	FOURTH QUARTER	1 YEAR
MSCI All Country World Index	3.29	22.34
MSCI All Country World ex U.S. Index	5.05	32.39
MSCI EAFE (Europe, Australasia, Far East)	4.86	31.22
MSCI Europe Index	6.20	35.41
MSCI Japan Index	3.23	24.60
MSCI All Country Asia ex Japan Index	4.29	32.26
MSCI Emerging Markets Index	4.73	33.57
S&P 500 Index	2.66	17.88

Source: FactSet, MSCI, S&P
Expressed in USD.

S&P 500 - TR
Sector performance (%) as of 31.12.2025

	FOURTH QUARTER	1 YEAR
Health Care	11.54	13.98
Communication Services	7.28	33.31
Financials	1.88	14.55
Information Technology	1.39	23.81
Energy	1.28	7.58
Materials	1.00	10.00
Industrials	0.78	18.91
Consumer Discretionary	0.62	5.82
Consumer Staples	-0.21	3.12
Utilities	-1.62	15.03
Real Estate	-3.11	2.09

Source: FactSet, S&P
Expressed in USD.

Outlook

- In 2025, economic growth has synced to the fortunes of AI innovation, making it both a growth engine and a potential pressure point. Without the benefit of hindsight, it's difficult to determine whether markets are in a bubble. What is clear, however, is that this growing concentration has left investors more vulnerable to abrupt and dramatic swings. An unraveling of the AI story could trigger a sharp equity market correction, erode consumer confidence, and potentially push the global economy into recession.

- We believe this fragile environment warrants an approach grounded in humility and balance – one that seeks to participate in the long-term potential of AI while also avoiding overexposure to a narrow set of unknowable winners. Business use cases for AI currently remain inward-focused, with an emphasis on improving operational efficiency in areas such as knowledge management, software development, and help desk automation. This highlights the challenges of integrating AI into existing workflows and the potential for extended implementation timelines. It also reflects the uncertainty surrounding the scale of productivity gains that AI can ultimately deliver.

- Given the risk of a pullback in spending on AI, we believe investors should focus on a more predictable approach by identifying companies whose success is not entirely dependent on AI. The three major public cloud companies – Amazon, Microsoft, and Alphabet – are benefiting from increased computing demand driven by generative AI workloads. We view these businesses as more attractive than the emerging group of "neoclouds," which focus primarily on low-margin graphics processing unit (GPU) rentals and have high customer concentration among the major AI labs.

- The AI ecosystem is deeply interconnected with companies, such as Nvidia, OpenAI, Microsoft, Oracle, AMD, and CoreWeave, engaging in complex financial and operational relationships. These partnerships include equity investments, revenue-sharing agreements, and backstopping unsold capacity. Although these arrangements are not inherently problematic, they rely heavily on continued investor enthusiasm and the promise of future returns. If AI companies fail to generate strong cash flows or if investors grow impatient with high capital expenditures and limited visibility into profitability, we believe the ecosystem could face significant challenges. Much like the dot-com era, the circular financing dynamics within AI can create a virtuous cycle during periods of growth but risk becoming a vicious cycle during downturns, highlighting the vulnerabilities of such structures.

- The combination of a sluggish labor market and inflation, which remains above pre-pandemic levels, is beginning to weigh on the US consumer. Importantly, the impact is highly uneven. Roughly half of all US consumer spending is driven by the top 10% of earners – households that also own the vast majority of financial assets. According to the Federal Reserve, the top quintile of earners holds 87% of equities and mutual funds, and between Q1 2020 and Q2 2025, Americans accumulated more than USD 63 trillion in additional wealth.

- This divergence has reinforced the "K-shaped" economy in 2025. High-income households, buoyed by surging asset values, continue to spend freely on travel, services, and luxury goods. Meanwhile, middle- and lower-income consumers face persistent financial pressure as wage growth struggles to keep pace with inflation. The political implications of these pressures were evident in the populist currents that shaped the 2025 election cycle, unifying both right- and left-leaning narratives around the idea that broad segments of the population are being left behind by the wealth effects of rising markets.

- This raises a key question for 2026: what are the implications of a correction, especially given markets' growing dependence on AI-linked earnings and capital expenditures? Thus far, AI investment has been largely funded through corporate cash flows and venture capital. But as hyperscalers push to sustain exponential growth in model size, data center buildouts, and chip supply, debt financing has begun to re-enter the picture. With broad US equity indices increasingly concentrated in AI leaders, a meaningful pullback could ripple through the economy not through layoffs or failed AI projects, but through the negative wealth effect of falling asset prices. This dynamic would resemble the aftermath of the dot-com bubble in 2000, when declining equity values disproportionately impacted high-income households and, by extension, overall consumer spending.

- A second transmission channel is also now firmly in place: AI capex as a major driver of US GDP. By late 2025, IT-related capex is estimated to account for more than half of quarterly GDP growth. This means that the same force that has pushed markets higher could become a drag if investment expectations reset. In this way, AI has become both a tailwind and a potential vulnerability for the 2026 macroeconomic outlook.

- While the promise of AI remains compelling, its market dominance and reliance on external financing create vulnerabilities that cannot be ignored. By seeking opportunities in areas of predictable growth and resilience – both within and outside the AI ecosystem – we believe investors can better navigate the uncertainties of this transformative era. As with any period of rapid innovation, we believe a measured, diversified approach will be critical to weathering potential volatility and capitalizing on long-term opportunities.

Performance drivers[1]

The Vontobel Fund - US Equity underperformed the S&P 500 Index for the quarter. Stock selection in communication services was the largest contributor to relative performance, followed by a lack of exposure to the utilities sector. However, stock selection in information technology and financials was the largest detractor from relative results.

On an individual stock basis, Alphabet, Thermo Fisher, and Amazon were the top contributors to absolute performance, while AutoZone, Meta, and Microsoft were the largest detractors from absolute returns.

Alphabet's stock rallied as investors increasingly view the company as a long-term AI leader. Third quarter results were strong across the board, with Search, YouTube and Google Cloud Platform (GCP) delivering attractive growth. The company released an updated LLM, Gemini 3, which received positive reviews and reinforced the company's leadership position in the space. This development drove close competitors to take responsive action as the market recognized Gemini as the leading AI model.

Shares of Thermo Fisher also rallied during the quarter, supported by strong approvals in clinical research. The company delivered solid third quarter results, with revenues increasing by 5% and profits rising by 9%, driven by growth in its Bioproduction, Analytical Instruments, and Research segments. Additionally, Thermo Fisher raised its guidance, given expectations for continued growth and abating headwinds, including those related to COVID, China's economic slowdown, and currency fluctuations.

Amazon's stock surged after the company reported third quarter results that exceeded expectations. The performance of its cloud business, Amazon Web Services (AWS), was a highlight, with sales growth accelerating to 20% excluding foreign exchange impacts, representing the strongest growth in almost three years. Margins also expanded during the quarter. The company announced a USD 38 billion cloud deal with OpenAI, helping to solidify its leadership position in the AI infrastructure space.

On the downside, shares of AutoZone sold off during the quarter given near term pressure in the company's "Do it Yourself" (DIY) business, driven by weakness among lower-income consumers. Margins have also been under pressure due to recent store expansions. While we view this expansion positively, as it enables the company to capture greater market share, it typically takes 3 to 4 years for new stores to mature, creating an expected and temporary drag on margins. Despite these challenges, we continue to like AutoZone and believe its essential products will offer downside protection during potential market pullbacks.

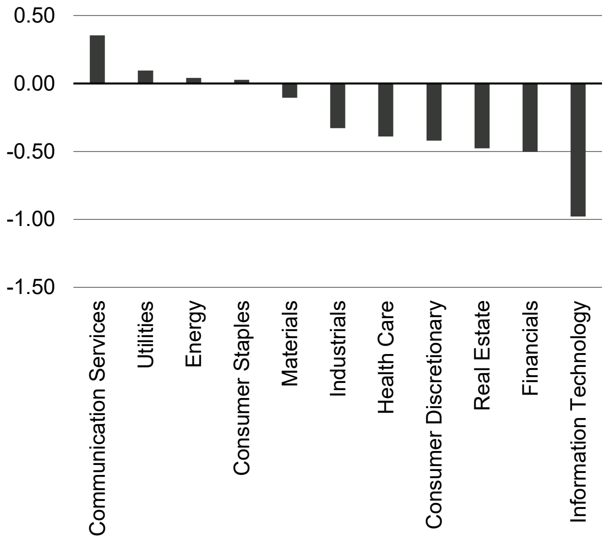
Shares of Meta also declined after the company reported its third-quarter results and raised its capital expenditure guidance. Meta indicated plans to continue significant spending on data centers and other infrastructure to support its AI initiatives, which raised investor concerns about the company's ability to deliver attractive returns on this capital investment.

Shares of Microsoft weakened as investors expressed concerns over elevated AI infrastructure spending and were disappointed by Azure's guidance, which fell short of high market expectations. This sell-off occurred despite Microsoft reporting solid quarterly earnings that exceeded consensus estimates, including a 40% increase in Azure revenue.

Attribution

Sector

Vontobel Fund – US Equity vs. S&P 500 - TR



Source: FactSet, MSCI
Attributions for the quarter ending 31.12.2025.
Based on cumulative gross performance (USD) of Vontobel Fund – US Equity. The gross rates of return are presented before the deduction of investment management fees, other investment-related fees, and after the deduction of foreign withholding taxes, brokerage commissions and transaction costs. An investor's actual return will be reduced by investment advisory fees. Country attribution based on top 5 / bottom 5 countries by total effect. **Past performance is not indicative of future results.**
Total Effect: The net effect of the allocation and selection effects. A single-period sector or country's geometric total effect is calculated by multiplying the product of one plus the allocation effect (AE/100 + 1) by one plus the selection effect (SE/100 + 1) and subtracting one from the result before multiplying by 100.

[1] Please see full list of top and bottom 5 contributors at the end of this commentary.

Portfolio changes[1]

When building portfolios, we believe it is important to strike a balance of quality companies with different characteristics. We therefore internally categorize quality companies into three buckets:

Leaders: higher growth "engines" of the portfolio, names exposed to secular drivers, typically at high valuations

Defenders: moderate growth, with high levels of durability and drawdown protection, the "seatbelts," typically at lower valuations than leaders

Opportunistic: high growth with a degree of cyclicality, lower predictability, but lower valuations, serve as the "accelerators"

In the communications services sector, we added Netflix, which we consider a Leader. Netflix is a global powerhouse in streaming entertainment with a vast library of original and licensed content, and more than 300 million subscribers across 190 countries. The company offers a range of pricing options for subscribers, which enhances its resilience through economic cycles. With a good balance of local market and US content, Netflix benefits from lower content costs and the ability to source high-quality new franchise shows from around the globe. Key drivers of growth include: the ongoing shift from linear TV to streaming platforms, which supports continued subscriber growth; the introduction of an ad-supported, lower-cost subscription tier, which offers higher ad income margins; expansion into additional income streams, such as experiences and merchandising tied to its popular original top shows; and increasing free cash flow as streaming costs moderate across its largest subscriber base among streaming networks. We believe Netflix can achieve revenue growth of more than 15% and earnings per share growth of more than 20% annually over the next decade.

In the industrials sector, we purchased Verisk Analytics, which we categorize as a Defender. Verisk Analytics is a leading data and analytics provider for the property and casualty insurance industry. The company holds a dominant position in its key segments, and we expect it to generate predictable earnings growth, with high cash-flow conversion.

We exited our position in health care company IDEXX Laboratories due to its stretched valuations and we allocated the capital into other opportunities with more attractive risk-reward profiles.

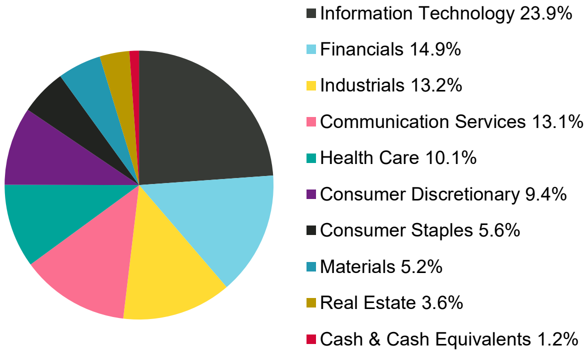
We sold consumer discretionary company Home Depot. Given the difficult macro backdrop for housing, the company has delivered little growth as it awaits a housing recovery. Despite its quality characteristics, we allocated capital to other quality alternatives that we believe will provide a better risk-return profile.

We exited our position in financials company Berkshire Hathaway. With the stock trading at 1.6x book value (the higher end of its range), the company is still not repurchasing stock, despite its significant cash position, and with the reduced growth from GEICO, we reallocated capital to better opportunities. While Berkshire Hathaway typically offers good downside protection, we have been adding to our position in AutoZone, which we believe offers similar downside protection.

We exited consumer staples company Mondelez International as near-term earnings are under pressure due to a spike in cocoa prices. As the company passes this on to consumers in the form of higher prices, it has adversely impacted demand. We shifted capital to companies we consider Defenders with diverse growth drivers outside of consumer staples.

Allocation

Sector



Sector allocations are as of 31.12.2025 and based on the Vontobel Fund – US Equity.

[1] Purchases provided are the new purchases with positions greater than 50 basis points in the Vontobel Fund – US Equity for the period. Sells provided are all names that were fully liquidated in the Vontobel Fund – US Equity for the period. The holdings may not represent all of the securities purchased, sold, or recommended for advisory clients.

Portfolio data

Top 10 holdings[1]

	SECTOR	COUNTRY	% OF PORTFOLIO
Microsoft Corporation	Information Technology	United States	6.3
Amazon.com, Inc.	Consumer Discretionary	United States	6.0
Alphabet Inc. Class A	Communication Services	United States	5.4
Intercontinental Exchange, Inc.	Financials	United States	4.2
Mastercard Incorporated Class A	Financials	United States	3.9
Intuit Inc.	Information Technology	United States	3.9
Meta Platforms Inc Class A	Communication Services	United States	3.8
Waste Management, Inc.	Industrials	United States	3.7
Ferguson Enterprises Inc.	Industrials	United States	3.4
Thermo Fisher Scientific Inc.	Health Care	United States	3.3
Total			**43.9**

Characteristics

	US EQUITY[1]	S&P 500
Market capitalization (USD B), weighted average	848.5	1430.6
P/E – forecast 12-month, weighted harmonic average	23.9	22.2
Dividend yield (%)	0.8	1.1
5-yr historical EPS growth (%)	15.7	14.9
Return on Equity, weighted average (%)	25.9	24.0

Risk statistics (5 years)

	US EQUITY[2]	S&P 500
Annualized alpha	-2.5	–
Beta	0.8	1.0
Sharpe Ratio	0.4	0.7
Annualized standard deviation	13.4	15.1

Top 5 contributors[1] by security (3 months)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Alphabet Inc.	Communication Services	7.23	1.81
Thermo Fisher Scientific Inc.	Health Care	3.20	0.69
Amazon.com, Inc.	Consumer Discretionary	5.97	0.28
Coca-Cola Company	Consumer Staples	3.85	0.28
Amphenol Corporation	Information Technology	2.19	0.21

Bottom 5 contributors[1] by security (3 Months)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
AutoZone, Inc.	Consumer Discretionary	2.18	-0.48
Meta Platforms, Inc.	Communication Services	3.80	-0.43
Microsoft Corporation	Information Technology	6.52	-0.38
Iron Mountain Incorporated	Real Estate	1.61	-0.34
Netflix, Inc.	Communication Services	0.91	-0.23

Top 5 contributors[1] by security (1 year)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Alphabet Inc.	Communication Services	5.77	2.90
Amphenol Corporation	Information Technology	2.26	1.93
Meta Platforms, Inc.	Communication Services	2.89	1.17
IDEXX Laboratories, Inc.	Health Care	1.47	1.12
Microsoft Corporation	Information Technology	6.08	0.98

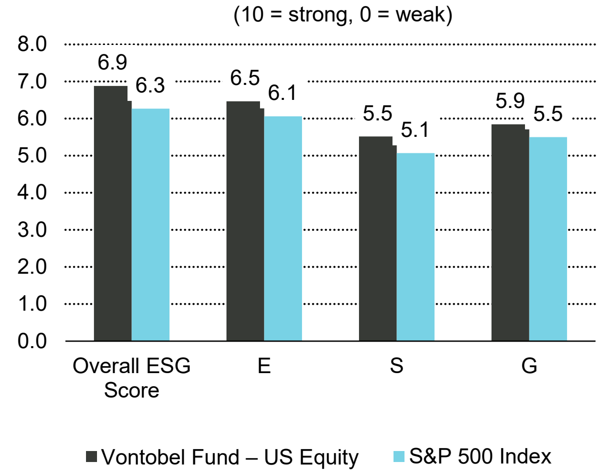
Bottom 5 contributors[1] by security (1 year)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Becton, Dickinson and Company	Health Care	1.13	-0.76
Adobe Inc.	Information Technology	2.40	-0.63
Copart, Inc.	Industrials	1.46	-0.50
Zoetis Inc.	Health Care	2.14	-0.50
Accenture plc	Information Technology	0.96	-0.40

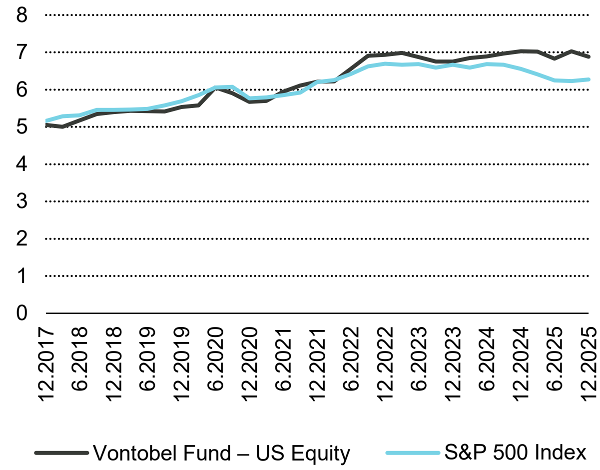
Portfolio data as of 31.12.2025
Source: FactSet. All returns are expressed in USD.
[1] Based on the Vontobel Fund – US Equity. Fund holdings and characteristics subject to change. The reader should not assume that an investment in the securities identified was or will be profitable. For more information on the calculation methodology or a complete list of holdings which contributed to overall performance during the period, please contact a Vontobel representative at ClientServices@vontobel.com.
[2] Based on gross performance of the Vontobel Fund – US Equity. The fund's gross rates of return are presented before the deduction of investment management fees, other investment-related fees, and after the deduction of foreign withholding taxes, brokerage commissions and transaction costs. An investor's actual return will be reduced by investment advisory fees.
Past performance is not indicative of future results.

ESG metrics

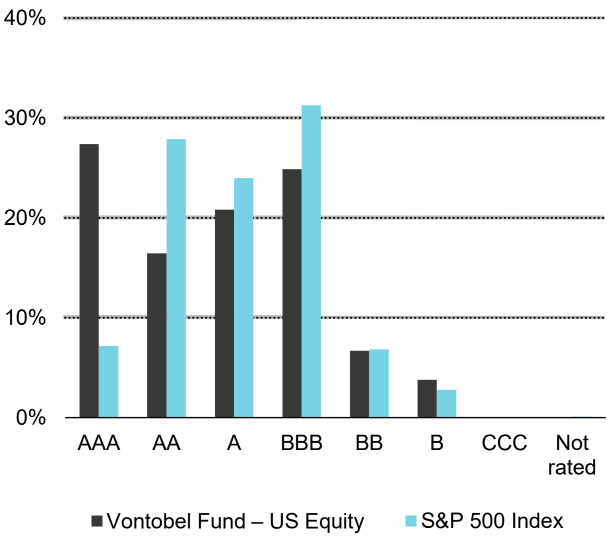
ESG (MSCI) scores[1]



ESG (MSCI) scores[1] history

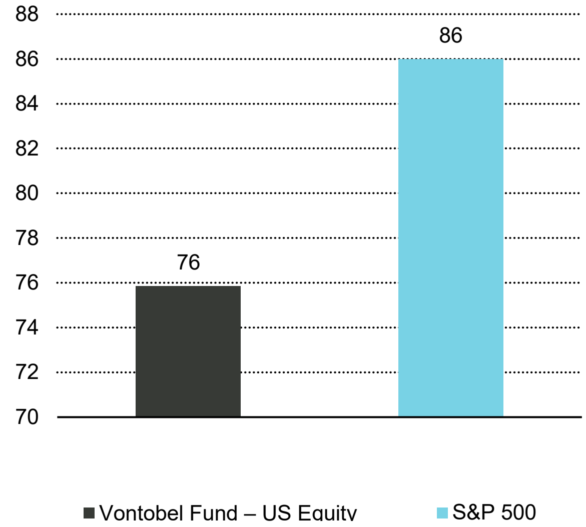


ESG (MSCI) rating distribution



Weighted average carbon intensity[2] (Scope 1+2)

(tons CO2e/$1M sales)



Past performance is not indicative of future results. As of 31.12.2025. Based on the Vontobel Fund – US Equity.
Source: MSCI ESG Research LLC, FactSet. ESG scores calculated by MSCI ESG Research LLC.
[1] MSCI ESG Overall Score methodology is calculated as a simple weighted average of issuer ESG ratings, where cash is excluded.
[2] Based on a company's most recently reported or estimated Scope 1 + Scope 2 greenhouse gas emissions.

Igor Krutov
Boutique Head, PM, Analyst
31 years in industry
23 years with Vontobel

Edwin Walczak
PM, Analyst
47 years in industry
37 years with Vontobel

Chul Chang, CFA
PM, Analyst
25 years in industry
16 years with Vontobel

Investment risks[1]

- A company's stock price may be adversely affected by changes in the company, its industry or economic environment and prices can change quickly. Equities typically involve higher risks than bonds and money market instruments.
- As the sub-fund focuses on companies that are domiciled and/or conduct the majority of their business in the US, it has a lower degree of risk diversification.
- The sub-fund's investments may be subject to sustainability risks. The sustainability risks that the sub-fund may be subject to are likely to have an immaterial impact on the value of the sub-fund's investments in the medium to long term due to the mitigating nature of the sub-fund's ESG approach. The sub-fund's performance may be positively or negatively affected by its sustainability strategy. The ability to meet social or environmental objectives might be affected by incomplete or inaccurate data from third-party providers. Information on how environmental and social objectives are achieved and how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

[1] The listed risks concern the current investment strategy of the fund and not necessarily the current Portfolio. Subject to change, without notice, only the current prospectus or comparable document of the fund is legally binding.

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